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PROJECT NO. 52373

REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN	**§ §**	**PUBLIC UTILITY COMMISSION OF TEXAS**
PROJECT NO. 52268		
CALENDAR YEAR 2021 – WORKSHOP AGENDA ITEMS WITHOUT AN ASSOCIATED CONTROL NUMBER	**§ § § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF AUDUBON TEXAS

COMES NOW AUDUBON TEXAS and files these Comments in response to the Commission's Questions for Comment filed in this proceeding on August 16, 2021.

Executive Summary

- Clean energy generation was not at the heart of grid reliability issues in February 2021 but continues to be (unfairly, contrary to the evidence) disproportionately targeted in discussion of market reform.
- We should require market participants to acknowledge and plan for extreme weather events using prospective modelling, in tandem with historical data, to anticipate and plan for future conditions, including a range of realistic scenarios.
- We appreciate the focus on demand management at all levels. Utilities must better understand distribution and composition of critical circuits, and update/better plan distribution along circuits to optimize circuit networks and allow for more precise demand management.
- There are additional opportunities for commercial and residential demand management, including voluntary programs and more targeted price signals. Demand response, virtual power plants (VPP), energy management, storage deployment, and other distributed energy resources (DERs) must all have reasonable market access to the ERCOT market.
- We must continue to incentivize clean energy penetration, including aggregation strategies and approaches to enable access to the ERCOT market; we must seek ways to deliver greater resiliency through investment and encouragement of storage technologies, transmission upgrades, and weatherization.
- By providing data transparency to the public, we help restore the public trust, provide researchers the needed tools to better understand and prescribe potential solutions, and

provide opportunities for the marketplace to develop new opportunities for innovation and a cleaner, more resilient grid.

- Ordinary Texans—who will pay for these choices in multiple forms—must have a role in this process.

The February 2021 events of Winter Storm Uri caused tragic human and economic consequences in Texas, resulting in at least 210 human casualties[1] and direct and indirect economic losses in excess of $80-130B[2]. Since, efforts have been supercharged to ensure such disaster does not befall Texas again, and we appreciate the Public Utility Commission's invitation to provide comments on project 52373, review of wholesale market design.

An enduring conclusion of after-action reports focused on 2021 grid failures is that renewable energy resources are not to blame for systemic outages, and yet, efforts continue to undermine clean energy's importance and competitiveness in the Texas market. Much of the 2021 regular legislative session focused on assessing penalties on renewable resources for being "non-dispatchable"--something you couldn't flip a switch to turn on. Yet, the brunt of the failures during Uri were attributable to weatherization woes across all energy types, the severity of the storm and a lack of anticipating the severity of the event until it was too late, failure to disclose and appreciate which assets were tethered to critical circuits and would be sidelined in the event of load shed, etc., involuntary load shed feedback loops, and natural gas woes on a number of levels.[3] The only standard that should matter is whether a resource performed as expected. That is, whether a wind farm worked like a gas plant is irrelevant. Another way to approach this is to objectively and transparently analyze the costs incurred to keep the lights on, and what caused those costs. Grid resiliency costs should be borne by the marketplace at large, not disproportionately by cleaner sources of power. If the Commission decides to shift costs to generation and away from loads, it should be done in a non-discriminatory manner, as required by the Public Utilities Regulatory Act and SB3, Section 14.

Texans want to focus on the challenges and opportunities of our power generation and transmission future, rather than capitalize on a moment of tragedy and chaos to artificially pick winners and losers in the marketplace. In the words of PUC Chairman Peter Lake, we must "incentivize and pay for the results (we) want, not how (we) get to the results."

Our bipartisan membership of more than 70,000 Texans, like many others in this state, want clean, reliable power, fairness in the marketplace, and a resilient Texas, now and into a challenging and uncertain future. More than $70B of clean energy investment has come to

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[1] https://dshs.texas.gov/news/updates.shtm#wn

[2] Golding, Kumar & Mertens, "Cost of Texas' 2021 Deep Freeze Justifies Weatherization" (April 15, 2021)

[3] The Timeline and Events of the February 2021 Texas Electric Grid Blackouts, UT Energy Institute, July 2021, https://energy.utexas.edu/sites/default/files/UTAustin%20%282021%29%20EventsFebruary2021TexasBlackout%2020210714.pdf.

Texas, and more is coming[4], provided we do not send signals to the marketplace that Texas is closed for clean energy business. The conversations taking place in Texas today look a lot like some of those in Ohio in 2019, when the state decided to walk back much of the clean energy progress it had made in the previous decade. Those maneuvers may cost Ohio ratepayers up to $400 million dollars a year[5]. Texas would be wise to take note.

Findings provided by multiple after-action reviews by credible show that multiple failures occurred as a result of the extreme weather during Uri. In particular, natural gas had challenges before and during demand reduction/load shed events, related to supply shortages and load shed. Generation sources can invest in resiliency measures aimed at withstanding extreme weather events, which may be expected to become more disruptive, extreme, expensive, and frequent as Texas's population continues to explode against the backdrop of climate change that is occurring now. Some of this language was included in SB 3 in the regular session. Climate change is often described as a threat multiplier (so regarded by the Pentagon); that is true here in Texas just as it is everywhere else, and the multiple only grows with time. We should require grid planners and managers to use retrospective and prospective, predictive models for planning near-mid, and-longer-term that explicitly account for, and offer resiliency to, our rapidly changing climate. We need a strategic resource planning process that evaluates "hardening" strategies like weatherization against all other reasonable alternatives, such as distributed energy resources (defined as distributed generation, distributed storage, demand response, energy efficiency, vehicle-to-grid—anything connected and operating at the distribution level of the grid).

We encourage the focus on residential demand management and agree that there are ways to expand these practices. A number of utilities across the state have introduced voluntary programs that allow customers to electively participate in controlled collective load shed; these kinds of programs, called voluntary load response products by ERCOT, reward consumers by conserving, particularly during periods of peak demand, and should be expanded. Rural areas and urban communities disadvantaged by historical disinvestment should be given exceptional consideration, and utilities should focus on how to encourage participation beyond the 5% considered in SB3. Research has shown that consumers may be encouraged to participate in these kinds of programs through improve data and consumption visualization as well as more sophisticated and responsive price signaling[6]; we encourage the experimentation with and application of both.

Clean energy plays a critical role in today's Texas economy and grid, and that role should and will expand in the coming decade. We must continue to encourage innovation and penetration, not stifle it. Enhanced storage and thoughtful, place-based planning principles for generation and transmission infrastructure will be critical to building resiliency into these building blocks of our energy architecture. NGOs such as the Audubon Society and the Nature Conservancy have

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[4] https://acore.org/wp-content/uploads/2021/08/U.S.-PREF-Letter-August-9-2021.pdf

[5] https://rmi.org/hb6-is-a-terrible-deal-for-ohio/#:~:text=HB6%20Will%20Cost%20Ohio%20Customers%20at%20Least%20%24400%20Million%20per%20Year&text=On%20top%20of%20this%2C%20HB6,fund%20the%20state's%20RPS%20program.

[6] https://www.pecanstreet.org/2019/05/utility-dive-utilities-have-multiple-ways-to-drive-lower-energy-use/

developed and continue to refine tools to assist developers with siting assistance and best management practices; these tools can help streamline development timelines and can enhance the necessary community engagement that characterizes successful investment.

As the PUC continues to assess and weigh the needs of a 21st century grid, consider this: last week, the IPCC published a milestone report, its 6th assessment report on our changing world. Its finding and implications are unequivocal: we have daunting carbon challenges to solve. For more than a century, Texas has been the energy capital of the world; today we are leaders across the energy portfolio, from oil and gas to wind and solar. Soon, batteries and hydrogen may play a critical role. Stifling this innovation by instituting punitive measures on clean energy thwarts that progress, sullies our reputation for leadership, innovation, and creative problem solving, hazards gains made in air quality and human health, stifles job creation, and hurts Texas consumers. We have already seen projects and business forestall plans to locate in Texas, or worse, take them elsewhere, over concerns of backsliding on clean energy penetration and concerns about grid stability and regulatory certainty. We must put those questions to rest once and for all and chart a path forward that rewards innovation, continues our ascent in clean energy, and provides Texas consumers predictable, affordable power. The Commission should invite regular Texans into the process of market redesign. Just as industry stakeholders have an important voice, so do non-industry stakeholders who were deeply affected by the February outages. According to the UH Hobby School of Public Policy[7], more than two out of three (69%) Texans lost electrical power at some point February 14-20, for an average of 42 hours, during which they were without power on average for one single consecutive bloc of 31 hours, rather than for short rotating periods. Almost half (49%) of Texans lost access to running water during this week period. During this same time frame, the average Texan with running water could not drink it for an average of 40 hours. Finally, more than two-thirds (69%) of Texans agree that due to climate change Texas is more likely to be adversely affected by severe weather than 30 years ago. Texans deserve to have their voices heard, and counted. The last time the market was completely restructured, the Commission engaged in deliberative polling.[8] The Commission should create a process to do this again, to hear from regular Texans who have no financial interests in the energy industry. The costs of changes the Commission may make will be borne by regular Texans. Those who will foot the bill should have a say in the process.

[7] https://uh.edu/hobby/winter2021/

[8] https://www.nrel.gov/docs/fy03osti/33177.pdf